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THE CANADIAN FARADAY CORPORATION LIMITED/1964 ANNUAL REPORT

Full JS



Release March 5



DIRECTORS

Ashton W. Johnston

William McKee

Archibald B. Whitelaw

George L. Jennison

John K. McCausland

W. Clarke Campbell

Leslie E. Wetmore

OFFICERS

Ashton W. Johnston

President

Leslie E. Wetmore

Secretary

William M. O'Shaughnessy

Treasurer

Royal Trust Company

Toronto • Montreal • Vancouver

Registrar and Transfer Agent

Bank of Montreal Trust Company

New York

Co-Transfer Agents

Thorne, Mulholland, Howson &

McPherson, Toronto

Auditors

Suite 1600, 100 Adelaide Street West

Toronto, Ontario

Head Office

DIRECTORS' REPORT TO THE SHAREHOLDERS:

We are pleased to present the annual report for the year ended December 31, 1964, including the consolidated financial statements and auditors' report.

Another dividend of 25 cents per share was declared during the year and paid January 22, 1965. Accumulated dividends paid to date amount to \$3,745,023.

During the year, mining operations and field exploration were carried out by the company's subsidiary, Metal Mines Limited, in which Faraday holds an 85% interest.

The nickel-copper mine at Gordon Lake, Ontario, was operated throughout the year at an average daily rate of 525 tons, somewhat below rated capacity. The shortfall was due to a number of difficulties experienced in mining, including the shortage of trained miners—a problem common to many other mining companies. These difficulties have been largely overcome and a considerably improved showing is anticipated in the current year. No new exploration was undertaken at Gordon Lake during the year, but plans have been completed for a broad program in 1965, designed to add additional tonnage to the ore reserves.

Metal Mines' uranium mine at Bancroft, Ontario, ceased operations at the end of June when the last contract with Eldorado Mining and Refining Limited, the Canadian government purchasing agency, was completed.

Before closing down, substantial ore reserves were developed, so that production can be recommenced in an orderly fashion when demand for our product warrants resumption of mining. In the meantime, much of the mine and mill equipment is being sold as it is considered economically advisable to do so rather than keep the equipment for a period of years, with the accompanying hazards, obsolescence and expense.

Through Metal Mines an aggressive outside exploration policy was pursued. Of the various properties examined, a molybdenite prospect at Rossland, British Columbia, was optioned from Torwest Resources (1962) Limited. A diamond drilling program is currently under way and it is hoped that an early announcement of production plans can be made. Financing of this work is being jointly undertaken by Metal Mines and Canadian Nickel Company Limited, a subsidiary of The International Nickel Company of Canada, Limited.

An investigation into the potash possibilities of an area in southwestern Manitoba was undertaken by Prairie Potash Mines Limited, a subsidiary of Metal Mines. Options were obtained on a substantial acreage of ground on the extension of the well-known Saskatchewan field. Three holes were drilled which indicated the probability of the existence of a major potash deposit with favorable mining

conditions. Negotiations are under way for the necessary financing to permit resumption of a much expanded drilling program, with start of work scheduled for early spring.

Faraday retains a substantial stock interest in Western Mines Limited whose gold-silver-copper-lead-zinc property on Vancouver Island, British Columbia, is being prepared for production at a 750-ton per day rate. It is expected that the senior financing program to bring the mine to production will be announced early in 1965.

The company's interest in Canadian Silica Corporation was sold late in the year on favorable terms for cash.

A number of interesting prospects are currently under investigation by Metal Mines and the policy of acquiring new properties will continue to be pursued.

The Board expresses its appreciation of the faithful services of all personnel.

On Behalf of the Board



President
February 15, 1965



ASSETS

Current assets:

Cash and short-term deposits	\$1,913,948	
Concentrates, at estimated sales value	878,052	
Accounts receivable and accrued interest (including \$901 from another subsidiary)	286,795	
Income taxes recoverable	431,500	
Supplies, at average cost	302,991	
Prepaid expenses	45,779	\$3,859,065

Investments and advances:

Subsidiaries not consolidated (note 1):

Shares, at cost	\$ 230,011	
Advances	1,505,468	
	<u>\$1,735,479</u>	
<u>Less</u> Allowance for losses	481,000	\$1,254,479

Smelter Power Corporation:

Shares, at nominal value	\$ 1	
Advances	159,120	159,121

Shares in other mining companies, at cost less amounts written off (market value \$844,248)

6¼% Mortgage receivable due June 15, 1966	480,456	
	<u>210,000</u>	2,104,056

Fixed assets:

Buildings, plant and equipment, at cost	\$9,721,606	
<u>Less</u> Accumulated depreciation	7,086,823	\$2,634,783
Mining claims, rights, properties and leases (note 2)	\$1,347,036	
<u>Less</u> Accumulated depletion	1,309,608	37,428
		<u>2,672,211</u>

Other assets:

Interest in power line, at cost	\$ 191,686	
Deferred development expenditures	73,512	265,198
		<u>\$8,900,530</u>

THE CANADIAN FARADAY CORPORATION LIMITED
Incorporated under the laws of Ontario
AND ITS SUBSIDIARY, METAL MINES LIMITED

CONSOLIDATED BALANCE SHEET DECEMBER 31, 1964

LIABILITIES

Current liabilities:

Bank loan, secured	\$ 187,830	
Accounts payable and accrued expenses	236,735	
Dividends payable	548,025	
Provision for Ontario mining tax	27,500	\$1,000,090
Minority interest in net assets of subsidiary		1,049,853

SHAREHOLDERS' EQUITY

Capital stock:

Authorized, 3,500,000 shares of no par value		
Issued, 1,762,364 shares	\$3,297,764	
Retained earnings	3,552,823	6,850,587

The accompanying notes are an integral part of this statement.

Approved on behalf of the Board
A. W. JOHNSTON Director
L. E. WETMORE Director

This is the balance sheet referred to in our report to the shareholders
dated January 29, 1965.
THORNE, MULHOLLAND, HOWSON & McPHERSON
Chartered Accountants

\$8,900,530

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENT**
Year ended December 31, 1964

1. Subsidiaries not consolidated:

The accounts of Prairie Potash Mines Limited, a subsidiary of Metal Mines Limited, have not been consolidated with those of the company as Prairie is presently engaged only in potash exploration and under a proposed agreement another company may carry on further exploration for which it may receive shares of Prairie Potash Mines Limited. In this event Prairie would not remain a subsidiary of Metal Mines Limited.

The accounts of subsidiaries, other than Metal Mines Limited and Prairie Potash Mines Limited, have not been consolidated with those of the company as their operations differ in nature.

The company's proportion of losses of unconsolidated subsidiaries incurred since acquisition has been provided for in the company's accounts. Investment in and advances to a subsidiary, after allowance for losses, are recorded at \$50,000 in excess of the net book value of the subsidiary. The company has guaranteed bank credit for this subsidiary in the amount of \$275,000.

2. Mining claims, rights, properties and leases:

Mining claims, rights, properties and leases are valued at cost with the exception of a group of claims located in the Gordon Lake Area, which are recorded at a nominal value of \$1.00.

3. Operations:

The consolidated statement of income includes income from the Gordon Lake (nickel) operation for the year ended December 31, 1964 and income from the Bancroft (uranium) operation for the six months ended June 30, 1964 at which date the latter operation was terminated.

4. Preproduction expenditures:

In 1963 the company changed its policy of amortization at 10% per annum on cost, and wrote off to consolidated retained earnings unamortized preproduction expenditures in the amount of \$2,604,302. Accordingly, no provision has been necessary for the current year.

5. Taxes on income:

No taxes on income are payable for the following reasons:

- (a) the consolidated subsidiary is exempt from tax on mineral income from its Gordon Lake (nickel) operation up to September 30, 1965.
- (b) because of the availability of deductions relating to preproduction expenditures and depreciation in excess of the amounts charged in the consolidated statement of income to offset income from the Bancroft (uranium) operation.

6. Contingent liability:

Metal Mines Limited has guaranteed the bank loan of the Gordon Lake Athletic Association in the amount of \$27,200.

To the Shareholders of
The Canadian Faraday
Corporation Limited:

We have examined the consolidated balance sheet of The Canadian Faraday Corporation Limited and its subsidiary, Metal Mines Limited, as at December 31, 1964 and the consolidated statements of income and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and related consolidated statements of income and retained earnings present fairly the combined financial position of The Canadian Faraday Corporation Limited and its subsidiary, Metal Mines Limited, as at December 31, 1964 and the results of their combined operations for the year ended on that date, in accordance with generally accepted accounting principles, except for the omission of amortization of pre-production expenditures referred to in note 4, applied on a basis consistent with that of the preceding year.

THORNE, MULHOLLAND,
HOWSON & McPHERSON
Chartered Accountants

Toronto, Canada
January 29, 1965

AUDITORS' REPORT



CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 1964 (note 3)

Sale of concentrates		\$4,915,343
Operating expenses (including directors' fees of \$12,500)	\$3,909,301	
Ontario mining tax	27,125	3,936,426
		<u>\$ 978,917</u>
Profit on sale of investments		471,063
Income before undernoted items		<u>\$1,449,980</u>
Bancroft mine shut-down and maintenance expenses	\$ 136,126	
Outside exploration	108,554	
Depreciation	334,025	
Amortization of deferred development	19,659	
Allowance for losses of subsidiaries not consolidated (note 1)	270,000	868,364
		<u>\$ 581,616</u>
Portion of income of subsidiary, Metal Mines Limited, applicable to minority interest		49,730
Net income for year (notes 4 and 5)		<u>\$ 531,886</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1964

Retained earnings at beginning of year		\$2,956,150
Add:		
Net income for year	\$531,886	
Profit on disposal of fixed assets	\$599,948	
Less Minority interest therein	94,570	505,378
		<u>1,037,264</u>
		<u>\$3,993,414</u>
Deduct Dividend declared		440,591
Retained earnings at end of year		<u>\$3,552,823</u>

